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ABSTRACT

This paper presents general advice, illustrated by examples from the experience of the state of Ohio, on the use of written agreements, contracts, and the competitive bidding process, and indicates the benefits they can bring to a number of areas in library purchasing. Examples are concerned with the procurement of general supplies, binding services, book and periodical purchases, approval plans, and automated acquisition systems. Five references are listed. (RAA)

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LIBRARY BIDS, CONTRACTS, AND PRICE AGREEMENTS

BY

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INTRODUCTION

Those of us who purchase goods and services for libraries often become involved in some rather expensive purchases which consume thousands of dollars over a period of many months. In those instances where the goods or services can be purchased from more than one vendor, there is always the question lurking in the background, "How can I get the best value for the library's money?" If it appears that there may be substantial price differences among vendors, competitive bidding is often the logical result. If the library iteself does not initiate the request for bids, the parent institution's purchasing department may decide to do so. A typical situation where bidding is often indicated is one in which a product or service will continue to be supplied over a long period of time and for which price and other factors may be subject to considerable variance from one vendor to another. Examples include approval plans, binding, supplies, office equipment, even turnkey acquisitions systems. If you include the whole library, you can throw in book security and circulation control systems, shelving and just about any big ticket purchase that can be supplied by more than one vendor.

BID PROCESS

In the bidding process, the product, service, or combination of both must be clearly identified and all of the requirements spelled out clearly. If the library knows what it wants and can identify it in written specifications, vendors are invited to bid. After an evaluation of the bids, the award is made. It is at this point that some form of contract is usually drawn up. The easiest kind is simply a set of the original bid specifications signed by both vendor and library. The resulting agreement or contract is usually formalized in writing by a letter of acceptance on the part of the successful bidder acknowledging receipt of the award.

So far so good. Most of us don't get involved in this kind of activity more than once or twice a year and others rarely, if ever. From my experience, those libraries engaging in competitive bidding as a way to get the best value for their limited funds, tend to do better financially than those libraries, that for whatever reasons, do not engage in bidding.

STATEWIDE BIDS

Before I go too far, I do want to make certain that we all understand that in no way do I advocate the kind of state-wide contracts which have existed, and do exist

in some states today, whereby one vendor is identified for certain types of goods and services on a statewide basis. Under these systems, there is no choice; and individual institutions must comply with the statewide edict, whatever it happens to be. These, in my judgment, are restrictive agreements and I'm sure that most librarians who have had any experience with them understand how limited and undesirable they are. To be at all successful, an exercise in bidding must be conducted by the institution which will ultimately benefit from the results.

VARIATIONS

A few minutes ago I referred to writing specifications for the kinds of goods and services required or requested by an institution. This all assumes that the institution knows exactly what it wants in the way of a product or service. In those instances when the institution knows generally what it wants but not how a vendor would be expected to go about providing it, that institution may ask for a proposal. In this instance, the vendors are not all bidding on the same set of detailed specifications, they are submitting their own specifications which they believe will meet the needs of a fairly well defined concept identified by the institution.

A good example of this might be one of the turnkey acquisitions systems which could be supplied by any one of several vendors. With the proposal approach, each vendor supplies its own answer to the problem and it needn't be similar to the other proposals. In a few years, we may have six or eight vendors offering turnkey acquisitions systems all doing roughly the same thing, that is, performing the same service, but using different software and equipment and offering their packages for a variety of prices. Proposals for this service could easily substitute for the usual bids on a set of rigid specifications. Which vendor wins under the proposal arrangement depends on just how well the services offered match the needs as defined by the library.

OHIO EXPERIENCE

Some of the most successful library bidding in recent years has occurred in Ohio. Ohio is not a "state contract" state, but it does have, as far as state supported or state assisted libraries are concerned, help from the state purchasing office which has made an effort over the years to put together state contracts or price agreements by inviting vendors to submit their best bids for specific categories of products. For example, library supplies is one category which is covered by a state contract or price agreement.

SUPPLIES

The state purchasing office in Columbus routinely asks the traditional library supply houses (Demco, Brodart, Gaylord, among others) to submit their best prices for items in their current catalogs under the assumption that if a discount is provided, the number of state institutions taking advantage of it by placing orders with the low bidder will give the firm sufficient additional business to justify the special discount for Ohio libraries. Periodically, the major state assisted libraries in Ohio are requested to indicate the amount of money they spend annually on library supplies. Those figures are used to come up with a total figure on which the vendors can compete. This year Demco has the supply contract offering an 11% discount on the majority of items in their catalog. The schools wishing to participate in this arrangement have only to indicate on their purchase orders the particular state contract number in order to receive the discount. To my knowledge, no Ohio institution requires a library to give all of its supply business to the vendor with the state contract discount. In most cases, it is simply an advantage to deal with that vendor since the prices are usually lower than the competition. There are, of course,

numerous instances when a particular supplier is the sole source of some unique product, but for most products and services, competition is a good possibility. The importance of the Ohio State Contracts is the freedom they give libraries to deal with any vendor and at the same time have the use of the state contract when they want it.

BINDING

Binding, of course, has long been a traditional area where soliciting bids is beneficial. For a number of years in Ohio, there was a considerable concern about alleged price fixing among several binderies. No matter how many times bids were solicited, the same firms always got certain contracts. This issue eventually ended up in court in Springfield, Illinois, where many of these binderies were asked to testify about carving up several states into territories within which only certain binderies would get the bulk of the business. The matter never went to trial, but since that time, competition has been more aggressive and binderies which once appeared to have a monopoly in certain areas no longer do. Once again, most of the schools I am familiar with are not obligated to bid their bindery work, but most of them do simply because they get better prices through competitive bidding.

BOOKS

The state purchasing office has approached the purchase of books in much the same way they solicited bids on library supplies, but instead of selecting a low bidder, they merely allowed all interested vendors to submit their best prices of various categories of books. The prices were published along with terms and conditions of sale. Ohio libraries using the term contract for books are assured that the services and discounts published in the contract will remain in force for the period of two years. No library is obligated to select any particular vendor from this list, but a quick scan of the discounts soon reveals which ones offer the best prices.

APPROVAL PLANS

Most academic libraries with large approval plans have considered, at least once, requesting bids. In Ohio, bidding approval plans has been quite successful if you measure success in terms of price, quality, and service. In a December, 1979 survey of Ohio approval plans(1), the nine plans then in force were worth over a million dollars and received an average discount of 15.1%. A national survey on approval plans(2) in which I was involved showed that the plans which were the result

of competitive bidding had average discounts 1.69% higher than the plans which were developed without competitive bidding.

AUTOMATED ACQUISITIONS

With LIBRIS, OLAS, CLSI, DataPhase, and a host of other turnkey acquisitions systems comes the possibility of yet another potential bid situation. Will these vendors be competitive or will they put a take-it-or-leave-it price tag on their systems? What if a major bibliographic network approaches a Brodart or Baker and Taylor with a request for a bid on 200 installations? A happy vendor and low-cost, online acquisitions systems for 200 libraries could well result.

PERIODICALS

This is an acquisitions group and since acquisitions is rapidly taking over the periodicals purchasing and processing in many libraries, I'll mention periodicals briefly. When is competitive bidding not a recommendation? Probably not in the area of periodicals. With periodicals, the profit margin for the vendor is relatively small and the prospect of bidding a large list is an expensive one. The results are often questionable. With the current improvements in periodical services, it

may well be possible to invite bids on periodicals business from the service standpoint, on certain service features which one company may offer over another or on differences in service charges. Computer generated management reports and automated check-in services are now being offered by periodicals vendors. Possibly these and similar services will offer potential for competitive bidding.

BEING SELECTIVE

No matter what kind of big ticket purchase you have in mind, if more than one vendor can supply it, you might be well advised to think about requesting bids or proposals in order to get the lowest possible price. Service is obviously the big concern and in discussions like this, we always have to assume that service, like quality, is the same for all bidders. Obviously, this is not always the case, and at this point I should probably put on my helmet and flack jacket and suggest that for certain kinds of business you might want to consider an approved vendor list, that is a list of vendors which you and possibly your purchasing agent have approved for a particular kind of service. For example, some vendors simply lack sufficient resources to offer the kinds of approval

plans which are sufficiently comprehensive to satisfy the demands of a large university. If, because of state law or for some other reason you feel you cannot restrict your bid list to the Ford and General Motors of the particular service you are soliciting, you will want to build into your bid specifications sufficient detail describing the kinds of goods and services you require in order to make it obvious to all vendors who investigate your specifications thoroughly whether or not they have the resources to handle your needs.

SPELL IT OUT

Finally, I would suggest that in all things of a business nature, we attempt to put more of our requests in writing, get more of our verbal agreements and commitments down on paper, use letters of intent when we intend to begin a business arrangement with a vendor. Make everything as clear and concise as possible and make sure that library and vendor have copies of this document, whatever it is, however extensive it may be, and then file it away. You may never need to refer to it again for the duration of the particular business arrangement, but if things go sour, you may want to retrieve it and refer to it as a reminder of the original

agreement. Your vendor is in business to make a profit and wants to be sure that the arrangement that the two of you have worked out goes as smoothly as it possibly can and in most instances, a simple reminder will be all that is necessary. By the same token, a letter of intent, contract, document of understanding in your vendor's hands can be used to remind you that you are getting a little bit off the track, that you are failing to perform according to the arrangement that you agreed to in the beginning. The cigar smoking, back slapping sales rep whose word was his bond, like Diamond Jim Brady, has all but disappeared from the scene. Although it is comforting to feel that your vendor reps can be taken at their word, they can also, as our director of purchases likes to say, get run over by a bus as soon as they leave your office taking that wonderful verbal agreement with them. So if you do have something in writing and you do have a contract, and you do have a formal written agreement describing how you're going to proceed, as bothersome and as time consuming as it may be to work out, it can and should be used as a handy set of guidelines to keep your business arrangement functioning smoothly. If anyone needs an example of how a formal contract would have applied to

a given situation, think back to the recent past when Richard Abel and Company went under and when many libraries were suddenly faced with an approval plan that had lapsed. And not only that, they were faced with a receiver who was knocking on the door demanding payment for past due invoices. Some of those invoices were ones you'd already paid, but the receiver didn't know it. The library headaches that resulted when this company suddenly stopped doing business were monumental. It went out of business as no surprise to anybody who was paying attention at that time. If any of those libraries who were dealing with Richard Abel and Company had the presence of mind to have in their possession a written document or contract or a letter of intent describing the terms and conditions under which business would be conducted with Richard Abel, either the library or the purchasing department would have been able to call a halt to the whole process long before bankruptcy shut off the flow of books. One of the things that the Abel Company did before it went under was to change it's pricing scheme in mid year. Remember cost plus? Anyone who had been operating on a contract or formal agreement would have taken a hard look at that abrupt policy change and said, "Hey wait

a minute, this isn't part of the deal." Their contract or agreement would have been a flag that something was going wrong and needed to be corrected immediately. Anybody paying attention to business would have questioned such a sudden about face. Today we've got the benefit of hind-sight, there is more competition, approval plans have been revised, and the people who promote and service them are more professional. As librarians, however, some of us haven't yet decided to take advantage of written agreements, contracts, and the process of competitive bidding and the benefits they can bring to a number of areas in library purchasing.

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(1) Cargill, Jennifer and Alley, Brian. "Survey of Approval Plans in IULC Libraries, December, 1979." TECHNICAL SERVICES NEWSLETTER. Volume 7, no. 1, March 7, 1980, Pages 4-7.

(2) -----"Highlights from a National Approval Plan Survey." TECHNICALITIES. Volume 1, no. 2, January, 1981, Pages 3-5.

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